



Interview with the Management



Q. *Please tell us how the management integration between Konica and Minolta came about.*

A. The business environment in which we find ourselves today is undergoing tremendous change on a global scale. We can group these changes into three major categories. The first of these is technological change. Advances in digitization and networking are rapidly expanding the range of product development, and demanding ever-higher levels of engineering ability. Extensive operating resources are necessary to outdo one's competitors and ensure a position of competitive advantage. The second such change is in the marketplace. Image information, a major business field and growth area for Konica and Minolta, is expanding steadily. On the other hand, customers are making increasingly diverse demands, and we must further improve our competitiveness if we are to meet these various needs, and thus, ensure a top position in this field. The third change is in competition. At present, competition is intensifying on a global level, not only within all industries, but also between different industries as well. Major players are vying for the top spot in all of these business fields, and the time is coming when only the top companies in any given business field will survive. Amid these factors, and a strong awareness of impending crisis, we have thought long and hard about how to remain vital, eventually reaching the conclusion that a strategic alliance was essential to doing so.

Q. What were the factors that brought this integration to fruition?

A. Both our companies had a strong awareness of impending crisis vis-à-vis our business environment. And in April 2000, we agreed to an operating partnership in the image information field for the codevelopment of mutually complementary products. As part of this alliance, we established a joint-venture company, Konica Minolta Supplies Manufacturing Co., Ltd. in December 2000 for the purpose of mass-producing the next-generation polymerization toner. This partnership in business operations has produced significant results, strengthening our mutual sense of trust and reliance. By means of this partnership, we have generated synergy, primarily through a mutual relationship of trust and collaboration. Building on these accomplishments, we came to the mutual conclusion that combining and reinforcing our strengths would enable us to secure an unquestioned place among the top corporate groups in the industry. We also shared the belief that integration would make it possible for us to make our businesses stronger, and push us into the top ranks of businesses in terms of revenues.

Business Integration Time Line

Apr. 2000

Konica and Minolta—basic agreement on business alliance focusing on product development in the field of image information and the start of a consumables-related joint-venture business.

Dec. 2000

Konica and Minolta's joint venture for polymerized toner, Konica Minolta Supplies Manufacturing Co., Ltd., starts operations.

Feb. 2002

Feasibility study for the management integration of both companies commenced.

Sep. 2002

Konica and Minolta agree to increase capital of joint-venture Konica Minolta Supplies Manufacturing Co., Ltd., each company to contribute ¥1.3 billion.

Jan. 2003

Management integration of Konica Corporation and Minolta Co., Ltd. announced.

Q. What are your reasons for choosing this time to integrate?

A. In order to survive in the competitive global arena, we need a system capable of operating more speedily and focusing on competition, in a business structure that is closer to our customers than ever before. Furthermore, in order to respond to rapidly changing business environments, a more unique business structure is required. That is to say, it is imperative that we build a system that separates management and operating executive functions Group-wide, wherein management will pursue strategies that maximize profits and minimize Group-wide risks, and the operating executive will maximize company competitiveness in the marketplace. Accordingly, Konica adopted a holding company format and spun off business operations in April 2003. Minolta had in fact introduced an internal company system from April 2002. To further accelerate management decision-making and processes, and improve competitiveness, however, the companies decided that it would be in their best interests to integrate management promptly after Konica had spun off its business operations into independent companies and formed a holding company.

Q. What are the objectives of this integration?

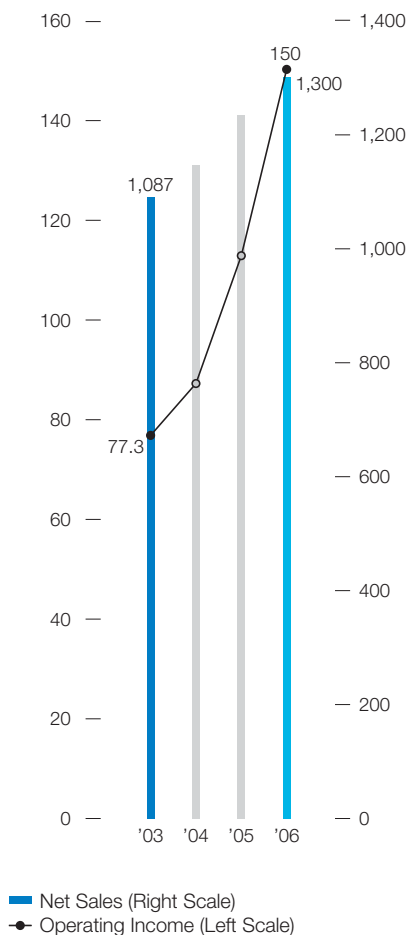
A. In addition to implementing portfolio management centered on the image information business, the Group's largest business field, we will work to maximize corporate value and build a structure capable of dramatically pursuing business competitiveness. Another central aspect of the integration is combining our respective strengths in optical technologies to make our optics business more solid. Based on the simple sum of the two companies' sales, the new entity would exceed net sales of ¥1 trillion for the fiscal year ended March 31, 2003. The new corporate group will aim for net sales of ¥1.3 trillion, and operating income of ¥150 billion in fiscal 2005.

Q. Please describe the expected effects of the integration.

A. In all integrated fields, we are promoting greater efficiency by revamping our business structures, as well as consolidating and streamlining organizations. We are also reducing procurement cost through improved purchasing power, driving sales by increased marketing efficiency, and in particular reducing employee numbers by 4,000 across the Group. These measures will produce annual cost savings of ¥50 billion in fiscal 2005. In the image information business, the largest business for both Konica and Minolta, Konica has great strength in the development and marketing of high-speed multifunctional peripherals (MFPs), while Minolta has strong developing and marketing ability in medium- to low-speed MFPs and particularly color MFPs and laser printers

Net Sales and Operating Income Targets

(Billions of yen)



Note: Forecasts are as of January 15, 2003, the date the "Letter of Intent for the Management Integration" was announced.

(LBPs), where it maintains a large share of the market. As an integrated force, the new company will possess an extremely formidable technical and marketing advantage over many of its rivals. In addition, the Company is deriving tremendous synergy by utilizing the advantage of the polymerization toner, another core business. The combined strengths will result in further dramatic improvements in competitiveness, while at the same time greatly increase the impact the Company has on the marketplace, and increase sales. In addition, referring to the optical technology field that is another strength of both companies, combining Konica's plastic lens technology with Minolta's glass mold technology, we will expand our business and further solidify our hold on the top spots in the optics business. In our microcamera unit business, where we expect rapid expansion, we aim for sizable business growth, including building a structure capable of striving for the top share of the market. In our camera and consumer imaging business, we aim for increased earning power and greater sales by building a solid marketing organization for all of our camera and photosensitive paper product lines.

We will increase sales and earnings through benefits derived from the integrated product lineups and the strengthened worldwide marketing network.

Q. What are the workings of the integration?

A. Konica Corporation migrated to a holding company structure in April 2003, and Konica Corporation and Minolta Co., Ltd. concluded management integration in an exchange of shares in August 2003, with one share of Minolta stock being valued at 0.621 share of Konica stock. With completion of the stock swap, the name of the integrated company was changed to Konica Minolta Holdings, Inc. Given that the post-integration management structure consists of spinning off business operations into independent companies under the holding company, we opted for the exchange of shares scheme because it would simplify the processing involved. While Konica Minolta Holdings, Inc. is built on the foundation of equality between the two companies, this is in fact the creation and birth of a new corporate group.



Q. Please outline your corporate philosophy.

A. We cite the building of new value as the philosophy behind our integration. Our management vision is to be a revolutionary corporation in the imaging field, capable of stirring great emotion, and a global corporation that leads the way in the marketplace through advanced technology and a high degree of reliability. Our business domain is the imaging input/output field. We will make substantial improvements to the competitiveness of the largest business in that field, namely, the image information business. At the same time, we will further solidify the position of our optical business by combining the optical technologies that are major strengths of the new company. We will further manage the Group

in accordance with the business portfolio, including the photo imaging business, which primarily encompasses color film and photo paper, the medical and graphic business, and the industrial instruments business.

Konica Minolta Management Philosophy and Vision

Management Philosophy:

The Creation of New Value

Management Visions:

Innovative Corporation That Continues to Create Impressions in the Field of Imaging.

A Global Market Leader That Offers Advanced Technology and Reliability.

Corporate Message:

"The essentials of imaging"

Outline of the New Corporate Group—Forecast net sales for the fiscal year ending March 31, 2004, ¥1,142.0 billion.

Company Name	Year ending March 2004 Forecast Net Sales (Billions of yen)	Business and Functions
Konica Minolta Holdings, Inc.		Planning and promoting group management strategy, auditing group management, other group management and administration
Business Companies		
Konica Minolta Business Technologies, Inc.	617.0	Manufacturing, sale and related services of copiers, printers, micro systems, facsimile, and related supplies
Konica Minolta Opto, Inc.	108.0	Manufacturing and sale of optical and related products and electronic materials
Konica Minolta Photo Imaging, Inc.	166.0	Manufacturing, sale and related services of consumer and commercial photographic materials, ID photos, inkjet media, and related equipment
Konica Minolta Camera, Inc.	161.0	Manufacturing, sale, and related services of photographic equipment such as digital cameras, film cameras and lenses
Konica Minolta Medical and Graphic, Inc.	153.0	Manufacturing, sale, and related services of film and processing equipment for medical and graphic imaging
Konica Minolta Sensing, Inc.	10.5	Manufacturing and sale of instrument systems for photographic, industrial, and medical industries
Common Function Companies		
Konica Minolta Technology Center, Inc.	—*	Research and development, incubation of new technologies and businesses, and administration and services of intellectual properties
Konica Minolta Business Expert, Inc.	—*	Various management support and indirect functions and services

* The figures are eliminated since they are internal sales within the Group.

Q. *What are the functions of the holding company and business companies after management integration?*

A. The function of the holding company is to manage the Group's affairs in a fair and transparent fashion, allocate management resources in an optimal manner through optimum business portfolio management, and increase the corporate value of the Group as a whole. The function of the business companies, on the other hand, is to provide the maximum return on the investments they receive from the holding company. They do everything directly related to their respective business field, functioning as independent companies, with maximum authority delegated to them, while also being held strictly accountable.

Q. *What is the resulting company's post-integration business structure?*

A. To maximize the effects of the integration, and to generate the greatest synergy, we will reorganize our business in October 2003, creating six business companies and two common function companies under the umbrella of Konica Minolta Holdings, Inc. The six business companies are as follows: Konica Minolta Business Technologies, Inc., whose business field is MFPs, LBPs, and related supplies; Konica Minolta Opto, Inc., whose business field is optical elements such as optical pickup lenses, microcamera units, and triacetyl cellulose (TAC) film for liquid crystal display (LCD) polarizing plates; Konica Minolta Camera, Inc., which consists primarily of digital cameras; Konica Minolta Photo Imaging, Inc., which consists primarily of our photographic film business; Konica Minolta Medical and Graphic, Inc., which consists primarily of the medical and graphic imaging business; and Konica Minolta Sensing, Inc., which consists of our color, light, and shape measurement products. The common function companies are Konica Minolta Technology Center, Inc., which is responsible for the advancement of both leading-edge and basic technologies in all fields, as well as incubation of R&D for new business areas, and Konica Minolta Business Expert, Inc., which undertakes information processing, distribution, and human resources services on a companywide basis.



Q. *What is your strategy for the image information business?*

A. The primary business field is input and output products and solutions in the networked office environment including MFPs and LBPs. We intend to establish a solid place in the industry by placing priority on allocating the management resources created by the integration to color MFPs/LBPs and the medium- and high-speed digital MFPs, which are growth sectors.

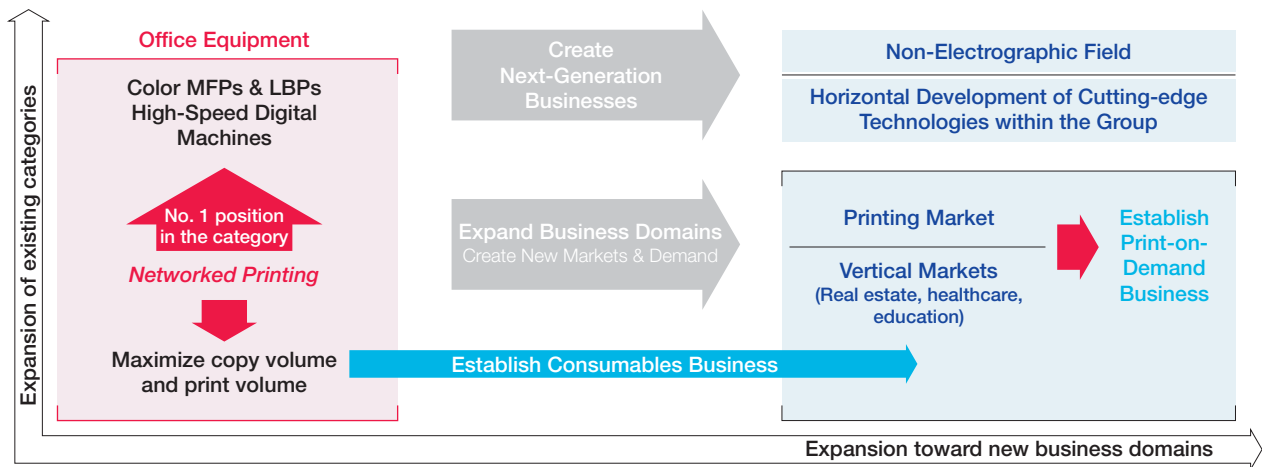
Our strategies include making inroads into the near-print market, which includes devices that create completed business documents, and vertical markets, by strengthening on-demand printing and the polymerization toner business. We intend to build a business structure that is highly creative and sensitive to the market.

At the same time, we will improve customer satisfaction by strengthening the ability to respond to the demand of key markets, and establishing a product planning and development structure capable of making us an industry leader in terms of solutions, as well as reorganizing and improving our direct sales division. Moreover, we will further improve on our strengths, and undertake strategic alliances that will enable us to surpass the competition.

Q. *What is your strategy for the optics business?*

A. As the trend toward digital networking gains greater speed, we are seeing tremendous growth in sales volumes of digital products using optical components. Thus, this business is growing in importance. Konica Minolta possesses unique optical technologies such as flat plastic lens technology, where the Company holds the top market share in this business field, and advanced glass mold lens technology. Combining these superior

Image Information Business Strategy



optical, image evaluation, and precision engineering technologies, we will further increase the competitiveness of our optical pickup lenses and microcamera units, which generate substantial revenue for the Group. At the same time, we intend to enlarge the scope of the optics business, expanding and advancing it to achieve the top share of its market and a position that our rivals cannot easily erode. We will also maintain our proactive stance of prioritizing investments for electronic materials, chief among these being TAC film for LCD polarizing plates, with the aim of expanding our business operations in the display materials sector.

Q. Please outline your strategy for the camera and the photo imaging businesses.

A. The first stage for both of these businesses will be to build a structure that responds to our customers' demands, by integrating the sales networks and completing product lines, providing everything from cameras to color film to photographic paper. In parallel with this, we will also put efforts into offering products and services in the form of a single system, from input to output, and, taking ubiquitous imaging as our watchwords, build new products and business models capable of responding to the diverse demands of our customers. With digital cameras at the core of its business, the camera business will strive for improved operating efficiency and increased revenues. It will concentrate on highly profitable segments, using product differentiation to achieve its

aim of obtaining the top market share in those segments. The photo imaging business will put effort into creating and expanding on new business in mature markets such as Japan, Europe, and the U.S., while at the same time exploring untapped markets such as Russia, Asia, and other regions where considerable growth and opportunity are anticipated.

Q. What are your strategies for the medical and graphic imaging business and the industrial instruments business?

A. As the market trend toward digital networks increases, the medical and graphic imaging business will develop its ability in digital input and output hardware, materials, and software systems products, and its solutions business, including proactively pursuing business overseas. The industrial instruments business will draw on our accumulated optical technology to develop a full range of high-value-added instruments that provide highly precise measurements of such elements as color, light, temperature, and shape, for a wide range of industrial sectors, including photography and medicine, with the aim of securing stable revenues.

Q. What is the role of the technical development company?

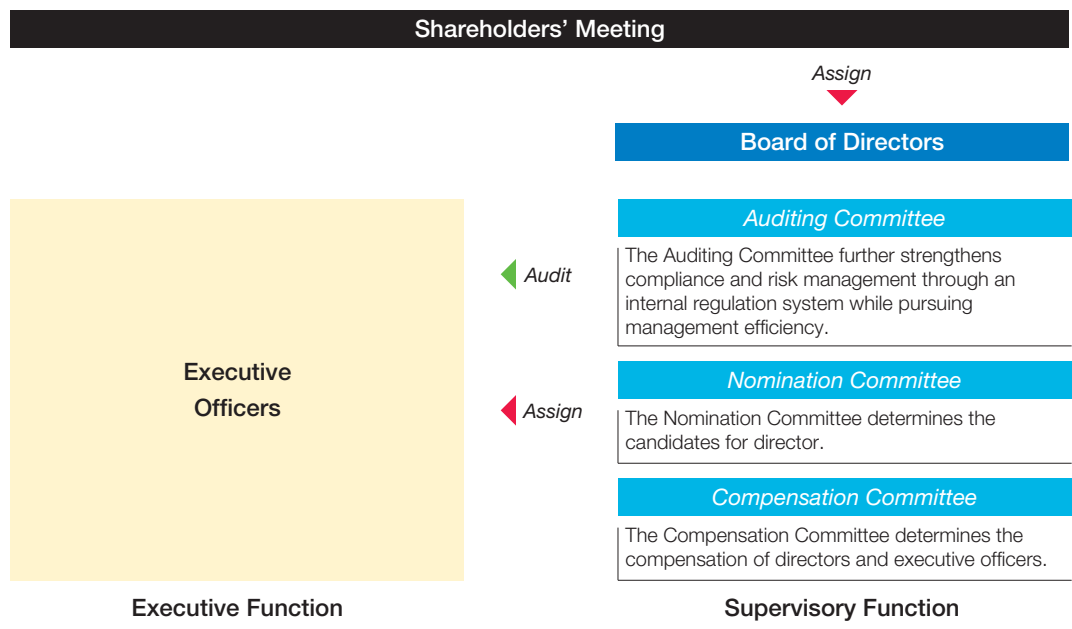
A. Toward the creation of new value in the imaging field, we will take the initiative in developing technology strategies in all of our business companies, driving the sophistication of our foundational and leading-edge technologies, in our core technology domains: optical, mechanical, materials, engineering, electronics, and software. Furthermore, we will utilize the technologies thus acquired to support the Group as a whole, by working beyond the framework of individual companies to incubate new business relating to everything from input to output, while also putting efforts into building a technology knowledge management system. Additionally, in order to improve the materials technology that is a core competency of the enterprise group, we commenced construction in June 2003 of a materials research laboratory within our site in Hachioji, Tokyo. Our materials engineers have thus far been largely isolated from one another. Now, we intend to develop these technologies in a more efficient manner, by bringing them together in the one place. We are also studying the possibilities of

building a Ubiquitous Imaging Research Laboratory, which would focus on an emerging ubiquitous computing lifestyle, wherein people will be able to access the Internet and other information networks anytime and anywhere.

Q. What are your corporate governance policies?

A. In order to fulfill the holding company’s function, namely, maximizing the Group’s corporate value, we must have management that is fair and transparent with regard to our stakeholders. As well, in order to make effective use of the capital entrusted with us by our shareholders, and maximize the return on that investment, it is incumbent upon us to separate managing overview from business process execution, with the Board of Directors and the managing executives carrying out their respective duties in ways that are both just and sound. As well, we must address these functions in a manner that is both speedy and efficient. With these points in mind, we have adopted a company-with-committees system, which Konica had adopted in June

Company-with-Committees System



The Chairman of the Board will not concurrently take the post of executive officer. A director who also takes the post of representative executive officer cannot become a Nomination Committee or Compensation Committee member. Konica Minolta’s three committees consist of five members each, of which a majority must be external directors.

2003. In so doing, we have implemented four initiatives in management, with the aim of improving the management audit function, decision-making and executive functions, establishing a highly transparent management organization, and improving our response to compliance risks.

In accordance with the philosophy of separating management audit from the executive function, the Board of Directors now focuses solely on the overall issues facing the Group such as direction, deciding on the basic course management will take, rather than making decisions regarding day-to-day operations, in an effort to promote propriety and efficiency in management. We are also establishing Nomination, Compensation, and Auditing Committees, each of which will be comprised of a majority of external directors. With regard to improving the decision-making and business process execution functions, the latter is now entirely the province of the executive officers, which will speed up the pace of management decision-making and execution. Under the auspices of the President and Representative Officer, the executive officers will assume full responsibility for the various business processes with which they are vested, and work to their utmost to increase operating revenues. With regard to establishing a highly transparent management organization, our regulations make it impossible for the Chairman of the Board of Directors to simultaneously serve as an executive officer. Additionally, we are implementing decisions that will improve transparency in management, which include the following: members of the Nominating and Compensation Committees will not simultaneously serve as representative executive officers; instead, each committee will make decisions on director nominations, as well as compensation for managing and executive officers alike. With regard to improving our response to compliance risks, the Board of Directors and the Auditing Committee will implement a prepared internal control system, with the aim of further strengthening management of compliance risk, and making management more efficient.

Q. *What are the functions of the three committees?*

A. The Nomination Committee will consider and determine the appointment and removal of directors. The Compensation Committee will determine remuneration for directors and executive officers. The Auditing Committee will continue its existing audit

function and to overview financial management of the Group. The Board of Directors will consist of 12 members comprising 8 internal and 4 external directors. In addition, each committee will be comprised of more than 3 directors of which a majority will be external directors.

Q. *In conclusion, what are your thoughts regarding the management integration and the image of the new group?*

A. Our goal is to further enhance the strengths of the two companies, and through the integration of imaging technologies to consistently deliver fresh, innovative, and exciting products and services to our customers. In order to realize the corporate image that we envisage for the future, to successfully compete, and to take a leading position in global markets, we must show a full commitment to the integration and adopt a totally fresh approach to what is effectively a new beginning.

